

**ASSOCIATION FOR RETARDED
CITIZENS/OUACHITA**

**Financial Statements
For the Year Ended June 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/14/10

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

JUNE 30, 2009

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andrias, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA

INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Association for Retarded Citizens/Ouachita
Monroe, Louisiana**

We have audited the accompanying statement of financial position of the **Association for Retarded Citizens/Ouachita** (a nonprofit organization - the Association) as of June 30, 2009 and June 30, 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to errors in entering transactions during the year and conversion to a new software system, we were unable to obtain sufficient evidence to satisfy ourselves about the amounts at which assets, liabilities, revenues and expenses are recorded in the accompanying financial statements as of and for the year ended June 30, 2009 (stated as \$1,094,964, \$230,258, \$4,064,490 and \$4,166,368 respectively).

In our opinion, the June 30, 2008 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Association for Retarded Citizens/Ouachita** as of June 30, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**The Board of Directors
Association for Retarded Citizens/Ouachita**

Because of the matters discussed in the third paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the June 30, 2009 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2010, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included as "Other Supplementary Data" and "Supplementary Information – Grant Activity" in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Association. Because of the matters discussed in the third paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the June 30, 2009 information included as "Other Supplementary Data" and "Supplementary Information – Grant Activity".

Haffey, Haffman, Rozalski, & Seigrist

(A Professional Accounting Corporation)
March 19, 2010

FINANCIAL STATEMENTS

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Financial Position

	June 30, 2009 (Unaudited)		
	Unrestricted	Temporarily Restricted	Total
Assets			
Cash	\$ 192,729	\$ -	\$ 192,729
Investments	138,069	103,156	241,225
Accounts receivable			
Memberships	6,717	-	6,717
Services	158,017	-	158,017
United Way	-	146,895	146,895
Other	5,553	-	5,553
Prepaid expenses	-	-	-
Land, building and equipment	543,506	171,274	714,780
Accumulated depreciation	(421,026)	(71,171)	(492,197)
Other deposits	4,732	-	4,732
Total assets	\$ 628,297	\$ 350,154	\$ 978,451
Liabilities and net assets			
Liabilities			
Accounts payable	\$ 27,887	\$ -	\$ 27,887
Accrued payroll	81,142	-	81,142
Accrued taxes	4,708	-	4,708
Notes payable	-	-	-
Total liabilities	113,737	-	113,737
Net Assets			
Unrestricted	514,560	-	514,560
Temporarily restricted	-	350,154	350,154
Total net assets	514,560	350,154	864,714
Total liabilities and net assets	\$ 628,297	\$ 350,154	\$ 978,451

The accompanying notes are an integral part of these statements.

June 30, 2008		
Unrestricted	Temporarily Restricted	Total
\$ 416,192	\$ 95,960	\$ 512,152
-	-	-
30,682	-	30,682
224,092	-	224,092
-	157,875	157,875
41,000	-	41,000
1,465	-	1,465
523,061	135,719	658,780
(402,580)	(83,789)	(486,369)
4,725	5,000	9,725
<u>\$ 838,637</u>	<u>\$ 310,765</u>	<u>\$ 1,149,402</u>
\$ 69,444	\$ -	\$ 69,444
63,848	-	63,848
4,697	-	4,697
44,821	-	44,821
<u>182,810</u>	<u>-</u>	<u>182,810</u>
655,827	-	655,827
-	310,765	310,765
<u>655,827</u>	<u>310,765</u>	<u>966,592</u>
<u>\$ 838,637</u>	<u>\$ 310,765</u>	<u>\$ 1,149,402</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statement of Activities For the Years Ended

	June 30, 2009		
	(Unaudited)		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Intergovernmental	\$ 3,258,607	\$ 55,209	\$ 3,313,816
Charges for services	275,418	-	275,418
United Way allocation	-	156,428	156,428
Contributions and grants	40,207	-	40,207
Membership dues	49,111	-	49,111
Contributions and net revenue from Special events			
Contributions	260,654	-	260,654
Costs of direct benefits to donors	(63,477)	-	(63,477)
Other revenues	32,470	-	32,470
Total	<u>3,852,990</u>	<u>211,637</u>	<u>4,064,627</u>
Net assets released from restrictions	<u>172,248</u>	<u>(172,248)</u>	<u>-</u>
Total support and revenue	4,025,238	39,389	4,064,627
Expenses			
Program services			
Supported employment	729,534	-	729,534
Supported work contracts	221,013	-	221,013
Supported living	1,991,413	-	1,991,413
Community home			
Mallard Home	269,994	-	269,994
Early Intervention	358,374	-	358,374
Total program services	<u>3,570,328</u>	<u>-</u>	<u>3,570,328</u>
Supporting services			
Management and general	443,196	-	443,196
Fundraising	152,981	-	152,981
Total supporting services	<u>596,177</u>	<u>-</u>	<u>596,177</u>
Total expenses	<u>4,166,505</u>	<u>-</u>	<u>4,166,505</u>
Increase (decrease) in net assets	(141,267)	39,389	(101,878)
Net assets at beginning of year	<u>655,827</u>	<u>310,765</u>	<u>966,592</u>
Net assets at end of year	<u>\$ 514,560</u>	<u>\$ 350,154</u>	<u>\$ 864,714</u>

The accompanying notes are an integral part of these statements.

June 30, 2008

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,369,606	\$ 25,210	\$ 3,394,816
290,420	-	290,420
-	163,478	163,478
85,094	-	85,094
76,994	-	76,994
268,088	-	268,088
(75,750)	-	(75,750)
14,315	960	15,275
<u>4,028,767</u>	<u>189,648</u>	<u>4,218,415</u>
<u>207,609</u>	<u>(207,609)</u>	<u>-</u>
4,236,376	(17,961)	4,218,415
636,587	-	636,587
228,301	-	228,301
2,031,586	-	2,031,586
327,215	-	327,215
309,242	-	309,242
<u>3,532,931</u>	<u>-</u>	<u>3,532,931</u>
464,544	-	464,544
102,489	-	102,489
<u>567,033</u>	<u>-</u>	<u>567,033</u>
<u>4,099,964</u>	<u>-</u>	<u>4,099,964</u>
136,412	(17,961)	118,451
<u>519,415</u>	<u>328,726</u>	<u>848,141</u>
<u>\$ 655,827</u>	<u>\$ 310,765</u>	<u>\$ 966,592</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Functional Expenses

(Unaudited)

For the Year Ended June 30, 2009

	Program Services				
	Supported Employment	Supported Work Contracts	Supported Living	Mallard Home	Early Intervention
Salaries	\$ 472,470	\$ 120,695	\$ 1,513,111	\$ 116,730	\$ 212,281
Payroll taxes	37,306	23	117,375	9,417	15,810
Pension	5,714	-	17,188	1,220	4,279
Total salaries and related expenses	515,490	120,718	1,647,674	127,367	232,370
Dues and subscriptions	1,379	-	3,240	497	1,121
Food	2,834	236	1,334	8,519	1,054
Insurance	64,310	7,709	156,692	40,430	20,911
Interest	149	-	287	533	22
Licenses and inspections	837	600	4,312	1,021	253
Maintenance	4,572	12,181	5,582	6,464	5,228
Medical	1,960	-	6,279	8,029	571
Miscellaneous	1,072	514	676	19,498	1,765
Office supplies and postage	2,697	144	5,254	956	1,491
Professional fees	434	-	18,612	3,554	30,734
Public awareness	1,849	5,123	3,100	140	3,257
Rent	13,963	33,600	13,889	806	31,496
Supplies	3,328	18,711	4,440	4,471	976
Telephone	8,589	2,720	4,538	1,540	3,563
Training	19,528	-	11,306	30,849	3,903
Transportation	37,736	10,922	1,248	2,445	2,193
Travel	10,819	-	88,626	654	11,004
Utilities	7,568	6,215	11,219	8,544	4,668
Total	699,114	219,393	1,988,308	266,317	356,580
Depreciation of buildings and equipment	30,420	1,620	3,105	3,677	1,794
Total functional expenses	729,534	221,013	1,991,413	269,994	358,374
Allocation of central office overhead to programs	80,485	-	231,384	30,207	41,205
Total functional expenses after allocation of central office overhead	\$ 810,019	\$ 221,013	\$ 2,222,797	\$ 300,201	\$ 399,579

The accompanying notes are an integral part of these statements.

Supporting Services

Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 2,435,287	\$ 176,594	\$ 46,922	\$ 223,516	\$ 2,658,803
179,931	13,301	3,738	17,039	196,970
28,401	4,158	570	4,728	33,129
2,643,619	194,053	51,230	245,283	2,888,902
6,237	2,195	-	2,195	8,432
13,977	11	5,072	5,083	19,060
290,052	21,218	12,282	33,500	323,552
991	331	-	331	1,322
7,023	165	85	250	7,273
34,027	19,570	878	20,448	54,475
16,839	135	115	250	17,089
23,525	8,465	4,097	12,562	36,087
10,542	13,969	6,374	20,343	30,885
53,334	131,139	194	131,333	184,667
13,469	8,285	2,287	10,572	24,041
93,754	20,172	67,114	87,286	181,040
31,926	1,978	410	2,388	34,314
20,950	4,265	420	4,685	25,635
65,586	1,811	255	2,066	67,652
54,544	363	-	363	54,907
111,103	726	26	752	111,855
38,214	7,417	1,658	9,075	47,289
3,529,712	436,268	152,497	588,765	4,118,477
40,616	6,928	484	7,412	48,028
3,570,328	443,196	152,981	596,177	4,166,505
383,281	(361,711)	(21,570)	(383,281)	-
\$ 3,953,609	\$ 81,485	\$ 131,411	\$ 212,896	\$ 4,166,505

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Functional Expenses For the Year Ended June 30, 2008

	Program Services				
	Supported Employment	Supported Work Contracts	Supported Living	Mallard Home	Early Intervention
Salaries	\$ 428,436	\$ 102,992	\$ 1,545,715	\$ 122,292	\$ 172,147
Payroll taxes	34,968	260	125,110	9,917	13,670
Pension	5,170	-	16,502	730	2,604
Total salaries and related expenses	468,574	103,252	1,687,327	132,939	188,421
Dues and subscriptions	1,907	-	5,572	1,035	1,159
Food	971	1,226	1,787	12,127	1,147
Insurance	60,512	8,262	179,225	32,951	10,912
Interest	1,020	-	952	2,821	66
Licenses and inspections	1,423	10	3,946	1,597	275
Maintenance	2,257	14,237	4,329	10,886	7,548
Medical	1,128	-	2,796	5,122	293
Miscellaneous	1,174	2,586	1,622	30,592	3,417
Office supplies and postage	1,963	785	4,452	1,271	4,179
Professional fees	1,394	-	15,298	9,384	27,009
Public awareness	872	4,429	3,216	1,756	1,099
Rent	13,870	41,400	12,705	1,049	32,080
Supplies	1,790	23,083	6,549	8,866	1,438
Telephone	9,462	3,310	4,633	1,918	4,462
Training	4,609	-	4,677	52,217	4,177
Transportation	30,025	16,494	3,465	2,217	1,345
Travel	9,025	-	76,006	1,085	7,816
Utilities	6,267	7,607	9,690	8,918	5,511
Total	618,243	226,681	2,028,247	318,751	302,354
Depreciation of buildings and equipment	18,344	1,620	3,339	8,464	6,888
Total functional expenses	636,587	228,301	2,031,586	327,215	309,242
Allocation of central office overhead to programs	73,774	-	227,398	38,264	39,903
Total functional expenses after allocation of central office overhead	\$ 710,361	\$ 228,301	\$ 2,258,984	\$ 365,479	\$ 349,145

The accompanying notes are an integral part of these statements.

Supporting Services

<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 2,371,582	\$ 233,292	\$ 58,993	\$ 292,285	\$ 2,663,867
183,925	17,412	4,268	21,680	205,605
25,006	5,504	767	6,271	31,277
<u>2,580,513</u>	<u>256,208</u>	<u>64,028</u>	<u>320,236</u>	<u>2,900,749</u>
9,673	2,680	152	2,832	12,505
17,258	2,649	411	3,060	20,318
291,862	29,779	9,410	39,189	331,051
4,859	180	13	193	5,052
7,251	119	1	120	7,371
39,257	18,123	2,703	20,826	60,083
9,339	694	15	709	10,048
39,391	11,654	576	12,230	51,621
12,650	16,855	5,861	22,716	35,366
53,085	57,765	2,489	60,254	113,339
11,372	13,813	1,508	15,321	26,693
101,104	30,455	11,199	41,654	142,758
41,726	2,244	380	2,624	44,350
23,785	6,049	1,044	7,093	30,878
65,680	1,471	658	2,129	67,809
53,546	-	-	-	53,546
93,932	947	243	1,190	95,122
37,993	5,919	1,545	7,464	45,457
<u>3,494,276</u>	<u>457,604</u>	<u>102,236</u>	<u>559,840</u>	<u>4,054,116</u>
 38,655	 6,940	 253	 7,193	 45,848
 3,532,931	 464,544	 102,489	 567,033	 4,099,964
 <u>379,339</u>	 <u>(379,339)</u>	 <u>-</u>	 <u>(379,339)</u>	 <u>-</u>
 <u>\$ 3,912,270</u>	 <u>\$ 85,205</u>	 <u>\$ 102,489</u>	 <u>\$ 187,694</u>	 <u>\$ 4,099,964</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Cash Flows

	For the Years Ended June 30,	
	2009 (unaudited)	2008
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (101,878)	\$ 118,451
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	48,027	45,848
Gain on sale of assets	(1,000)	(900)
Donation of fixed asset	-	(7,600)
Changes in assets and liabilities		
Accounts receivable	95,467	25,502
Other assets	6,458	14,775
Accounts payable and accrued expenses	(24,252)	23,046
Total Adjustments	<u>124,700</u>	<u>100,671</u>
Net cash provided (used) by operating activities	<u>22,822</u>	<u>219,122</u>
Cash Flows From Investing Activities		
Purchases of certificates of deposit	(241,225)	-
Purchases of fixed assets	(98,199)	(50,624)
Proceeds from sales of assets	1,000	900
Net cash provided (used) by investing activities	<u>(338,424)</u>	<u>(49,724)</u>
Cash Flows From Financing Activities		
Payments on notes payable	(44,821)	(27,926)
Net cash provided (used) by financing activities	<u>(44,821)</u>	<u>(27,926)</u>
Net Increase (Decrease) in Cash	(360,423)	141,472
Cash at Beginning of Year	<u>512,152</u>	<u>370,680</u>
Cash at End of Year	<u>\$ 151,729</u>	<u>\$ 512,152</u>
Supplemental Disclosures:		
Cash paid for interest	<u>\$ 1,323</u>	<u>\$ 5,053</u>

The accompanying notes are an integral part of these statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2009

Note 1 - Description of Organization

The Association for Retarded Citizens/Ouachita (the Association) dba ARCO was established in 1954 to promote the general welfare of all persons with developmental disabilities within its service area which generally includes the Northeast portion of Louisiana. Their programs are designed to assist and train clients to become independent citizens within their service area. The principal programs consist of vocational training, residential living and early intervention.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its *Audit Guide for Not-For-Profit Organizations*.

The financial statements of the Association are presented as recommended by the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2009, the Association had no permanently restricted net assets.

B. Contributions

The Association has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS No 116, such contributions are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon satisfaction of the related restrictions.

C. Donated Services

Members, agencies, business firms, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Association. No amounts have been recognized in the Statement of Activities because the criteria for recognition of such volunteer effort under SFAS No 116 have not been satisfied.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2009

D. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. The Association capitalizes all property value at \$1,000 or more and an estimated useful life of one year or more. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings	15 - 30
Furniture and Equipment	3 - 10
Vehicles	5

E. Compensated Absences

ARCO's vacation policy does not provide for the carryover of vacation to the subsequent year. The financial statements do not include an accrual since all vacation was used during the year ended June 30, 2009. Sick days may be accumulated to a maximum of 15 days; however, employees are not paid for any unused sick days upon termination and therefore an accrual for sick leave is not reflected in the financial statements.

F. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

G. Programs

The Association's principal programs and primary funding sources are:

Supported Employment - The Adult Habilitation's income is derived from the Louisiana Department of Health and Hospitals, and the United Way. These funds are used to train clients in vocational and prevocational activities and supportive services. Vocational Rehabilitation's income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program provides vocational training support to clients placed in jobs within the community.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements
For the Year Ended June 30, 2009

Supported Work Contracts - Supported Work Contract's income is derived from cleaning and document destruction services by clients and the operations of the SassyKats clothing store.

Supported Living - Supported Living's income is derived from the Louisiana Department of Health and Hospitals, United Way, and Ouachita Council of Governments. This program, similar to Community Homes, helps the individual clients become more independent by providing support and training in their residences within the community.

Mallard Home – Mallard Home's income is derived from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens. Clients in Mallard Home are trained in the Supported Employment program.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, local governmental and non-profit agencies, and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years.

H. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

I. Cash and Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

J. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2009

K. Reclassifications

Minor reclassifications have been made to the prior year financial statements to make them comparable to the current year's presentation.

Note 3 - Land, Building and Equipment

Land, Building and Equipment consisted of the following at June 30, 2009:

Buildings and Improvements	\$ 192,760
Furniture and Equipment	135,373
Vehicles	348,509
Land	38,138
Less: Accumulated Depreciation	<u>(492,197)</u>
Net Land, Building and Equipment	<u>\$ 222,583</u>

Included in vehicles above are five vehicles that cost a total of \$171,274 that were acquired through Federal grants along with 20% matching funds from the Association. The Association retains the use of those vehicles as long as they are kept, maintained and used for the Association's designated purpose. Those vehicles are not to be sold or disposed of either during their useful lives (5 years or 100,000 miles) without the state's permission; therefore, these vehicles less the related accumulated depreciation of \$71,171 are shown as temporarily restricted.

Note 4 - Notes Payable

Notes payable consisting of two notes were retired during the year ended June 30, 2009.

Both of the notes with Ouachita Independent Bank were mortgage notes with fixed interest rates of 8.25% and 8.75% respectively.

A letter of credit in the amount of \$100,000 was issued by Capital One Bank. It is secured by all funds on deposit with them and provides a variable simple interest rate to be adjusted monthly to one percent (1%) over the Wall Street Journal prime rate. There was no outstanding debt on this line of credit at June 30, 2009 and nothing has been advanced to the Association since then. The line of credit is subject to annual renewal in December of each year.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2009

Note 5 - Temporarily Restricted and Designated Net Assets

The following summarizes net assets that are temporarily restricted as of June 30, 2009:

Investments-Building Fund	\$ 103,156
Accounts Receivable - United Way (Note 2-B)	146,895
Vehicles - DOTD	171,274
Less: Accumulated Depreciation	<u>(71,171)</u>
Total	<u>\$ 350,154</u>

During a prior year, the Kitty DeGree Foundation pledged and paid a matching grant of \$50,000 for ARCO's building program. Those funds were to be earned based on other donations that are received and dedicated to the building program. Sufficient matching funds were received, qualifying the pledge for recognition as temporarily restricted support. During the year ended June 30, 2009, the Board of Directors designated \$9,631 to be set aside for the building program and is included in unrestricted net assets.

Note 6 - Disclosures About Concentrations

The Association's cash and cash investments are on deposit with three Federally-insured financial institutions. The amounts on deposit totaled \$406,745 all of which was insured by federal deposit insurance at June 30, 2009.

The Association's contracts are primarily with government agencies; therefore, a majority of its revenue and accounts receivable are derived from those sources.

Note 7 - Operating Leases

Total rent expense for the year was \$181,041. The Association has several lease commitments. However, these leases are either on a month-to-month basis or contain "funding-out" clauses which allow the agreements to be cancelled.

Note 8 - Commitments and Contingencies

The Association receives the majority of its revenue based on contracts with various Federal and state agencies. These contracts are subject to review by the respective agencies which could result in disallowed costs. Additionally, funding levels are subject

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2009

to review on a periodic basis by the grantor agencies, which could result in changes in funding levels.

Note 9 - Related Party Transactions

The matching grant from the Kitty DeGree Foundation, described in Note 5 above, is a related party transaction since Ms. Kitty DeGree serves on the Board of Directors of the Association.

Note 10 - Tax Deferred Annuity Plan

The Association offers its employees a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. ARCO will match up to 3% of gross salaries of qualified employees who elect to participate in the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. ARCO contributed \$15,870 on behalf of the participants for the year ended June 30, 2009.

Note 11 - Subsequent Events

Subsequent events have been evaluated through March 19, 2010, the date that the financial statements are available to be issued, and it has been determined that the following significant events occurred for disclosure:

January 2009, the NOW Waiver was reduced by 3.5%. August 2009, specific services within the NOW Waiver and the Supports Waiver were reduced by an additional 3.11%. In addition, units allowed per family participating in the Early Intervention program have been limited resulting in potential revenue loss of about one-third for that program.

The Federal Minimum Wage increased from \$6.75 to \$7.25 effective July 24, 2009 affecting fifty employees and increasing the annual salary expense approximately \$52,000.

Due to a lack of profitability, the Association opted to cease Bingo operations effective early February 2010.

OTHER SUPPLEMENTARY DATA

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Financial Position

(Unaudited)

June 30, 2009

Schedule 1

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>
Assets				
Cash	\$ 192,248	\$ 121	\$ 200	\$ -
Investments	241,225	-	-	-
Accounts receivable				
Memberships	6,717	-	-	-
Services	-	23,132	12,999	111,072
United Way	146,895	-	-	-
Other	5,553	-	-	-
Due from other funds	294,983	-	-	-
Land	30,138	-	-	-
Building and equipment	212,316	137,449	157,416	39,260
Accumulated depreciation	(171,712)	(34,723)	(148,587)	(38,260)
Other deposits	2,982	-	1,050	-
Total Assets	<u>\$ 961,345</u>	<u>\$ 125,979</u>	<u>\$ 23,078</u>	<u>\$ 112,072</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 10,781	\$ 5,351	\$ 3,900	\$ 3,804
Due to other funds	-	120,628	19,178	108,268
Accrued payroll	81,142	-	-	-
Accrued taxes	4,708	-	-	-
Total liabilities	<u>96,631</u>	<u>125,979</u>	<u>23,078</u>	<u>112,072</u>
Net Assets				
Unrestricted	514,560	-	-	-
Temporarily restricted	350,154	-	-	-
Total net assets	<u>864,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 961,345</u>	<u>\$ 125,979</u>	<u>\$ 23,078</u>	<u>\$ 112,072</u>

<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
\$ 160	\$ -	\$ 192,729
-	-	241,225
-	-	6,717
7,702	3,112	158,017
-	-	146,895
-	-	5,553
-	-	294,983
8,000	-	38,138
102,344	27,857	676,642
(87,084)	(11,831)	(492,197)
-	700	4,732
<u>\$ 31,122</u>	<u>\$ 19,838</u>	<u>\$ 1,273,434</u>

\$ 1,679	\$ 2,372	\$ 27,887
29,443	17,466	294,983
-	-	81,142
-	-	4,708
<u>31,122</u>	<u>19,838</u>	<u>408,720</u>

-	-	514,560
-	-	350,154
-	-	864,714

<u>\$ 31,122</u>	<u>\$ 19,838</u>	<u>\$ 1,273,434</u>
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ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Activities
For the Year Ended June 30, 2009 (Unaudited)
With Comparative Totals for the Year Ended June 30, 2008

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supportive Work Contracts</u>	<u>Supported Living</u>
Support and Revenue				
Intergovernmental	\$ -	\$ 612,212	\$ -	\$ 2,287,146
Charges For Services	470	30,467	156,297	58,010
Contributions and Grants	16,271		252	-
United Way Allocation	156,428	-	-	-
Membership Dues	49,111	-	-	-
Contributions and Net Revenues from Special Events				
Contributions	260,654	-	-	-
Costs of Direct Benefit to Donors	(63,477)	-	-	-
Other Revenues	12,478	16,141	119	2,600
Total support and revenue	<u>431,935</u>	<u>658,820</u>	<u>156,668</u>	<u>2,347,756</u>
Expenses				
Depreciation and Amortization	1,606	30,562	1,620	7,867
Dues and Subscriptions	1,366	1,470	-	3,837
Food	4,886	2,876	236	1,452
Insurance	14,404	68,452	7,709	168,102
Interest	21	215	-	473
Licenses and Inspections	140	860	600	4,378
Maintenance	2,545	8,382	12,181	16,330
Medical	231	1,960	-	6,279
Miscellaneous	7,810	2,092	514	3,513
Office Supplies and Postage	7,892	5,346	144	12,729
Payroll Taxes	5,565	39,747	23	124,264
Pension	734	6,563	-	19,586
Professional Fees	8,716	26,524	-	92,227
Public Awareness	9,930	1,986	5,123	3,486
Rent	73,111	17,007	33,600	22,378
Salaries	67,189	505,733	120,694	1,606,966
Supplies	1,110	3,600	18,711	5,208
Telephone	1,659	9,233	2,720	6,355
Training	600	19,840	-	12,187
Transportation	315	37,746	10,922	1,277
Travel	84	10,961	-	89,027
Utilities	2,984	8,864	6,215	14,876
Total Expenses	<u>212,898</u>	<u>810,019</u>	<u>221,012</u>	<u>2,222,797</u>
Excess (Deficiency) of Revenues Over Expenses	219,037	(151,199)	(64,344)	124,959

	Mallard Home	Early Intervention	Total June 30	
			2009	2008
\$	205,496	\$ 208,962	\$ 3,313,816	\$ 3,343,314
	17,492	12,682	275,418	290,420
		23,684	40,207	160,284
	-	-	156,428	163,478
	-	-	49,111	76,994
	-	-	260,654	234,921
	-	-	(63,477)	(66,271)
	800	332	32,470	15,275
	<u>223,788</u>	<u>245,660</u>	<u>4,064,627</u>	<u>4,218,415</u>
	3,731	2,642	48,028	45,848
	531	1,228	8,432	12,505
	8,535	1,075	19,060	20,318
	41,942	22,943	323,552	331,051
	558	55	1,322	5,052
	1,030	265	7,273	7,371
	7,896	7,141	54,475	60,083
	8,037	582	17,089	10,048
	19,881	2,277	36,087	51,621
	1,952	2,822	30,885	35,366
	10,335	17,036	196,970	205,605
	1,540	4,706	33,129	31,277
	13,362	43,838	184,667	113,339
	191	3,325	24,041	26,693
	1,937	33,007	181,040	142,758
	129,235	228,986	2,658,803	2,663,867
	4,573	1,112	34,314	44,350
	1,782	3,886	25,635	30,878
	30,966	4,059	67,652	67,809
	2,449	2,198	54,907	53,546
	707	11,076	111,855	95,122
	9,031	5,319	47,289	45,457
	<u>300,201</u>	<u>399,578</u>	<u>4,166,505</u>	<u>4,099,964</u>
	(76,413)	(153,918)	(101,878)	118,451

(Continued)

Combining Schedule of Activities (Concluded)
For the Year Ended June 30, 2009 (Unaudited)
With Comparative Totals for the Year Ended June 30, 2008

	General Fund	Supported Employment	Supportive Work Contracts	Supported/ Independent Living
Other financing sources (uses)				
Operating Transfers In	-	151,199	64,344	-
Operating Transfers (Out)	(320,915)	-	-	(124,959)
Total Other Financing Sources (Uses)	(320,915)	151,199	64,344	(124,959)
Increase (Decrease) in Net Assets	(101,878)	-	-	-
Net Assets at Beginning of Year	966,592		-	-
Net Assets at End of Year	\$ 864,714	\$ -	\$ -	\$ -

<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total June 30</u>	
		<u>2009</u>	<u>2008</u>
76,413	153,918	445,874	177,358
-	-	(445,874)	(177,358)
<u>76,413</u>	<u>153,918</u>	<u>-</u>	<u>-</u>
-	-	(101,878)	118,451
-	-	966,592	848,141
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864,714</u>	<u>\$ 966,592</u>

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Expenditures of State Awards For the Year Ended June 30, 2009 (Unaudited)

<u>Grantor Program/Program Title</u>	<u>Grant Assistance I.D. Number (OCDD#)</u>	<u>State Award Amount</u>	<u>Expenditures</u>
Louisiana Department of Health and Hospitals			
Office for Citizens With Developmental Disabilities			
Supported Employment	608642	\$ 557,003	\$ 557,003
Supported Living	609521	<u>25,757</u>	<u>25,757</u>
Total State Awards		\$ <u>582,760</u>	\$ <u>582,760</u>

See Notes to Schedule of Expenditures of State Awards

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes to Schedule of Expenditures of State Awards
For the Year Ended June 30, 2009

1. General

The Schedule of Expenditures of State Awards present the activity of all state awards programs of The Association for Retarded Citizens/Ouachita (ARCO).

2. Basis of Accounting

The Schedule of State Awards is presented using the accrual basis of accounting which is more fully described in Note 2 to the Association's financial statements.

3. Relationship to Combining Schedules of Activities

State and local government awards revenue and fees for service are included in intergovernmental revenue on the Statement of Activities. This revenue is further detailed on Schedule 2. Intergovernmental revenue consists of the following:

	Federal Awards	State Awards	Local Awards	Fees for Services	Total Inter- governmental Revenue
Supported Employment	\$ 55,209	\$ 557,003	\$ -	\$ -	\$ 612,212
Mallard Home	-	-	-	205,496	205,496
Supported Living	-	25,757	1,235	2,260,154	2,287,146
Early Intervention	-	-	20,400	188,562	208,962
Totals	<u>\$ 55,209</u>	<u>\$ 582,760</u>	<u>\$ 21,635</u>	<u>\$ 2,654,212</u>	<u>\$ 3,313,816</u>

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA

INDEPENDENT AUDITORS' REPORT OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Association for Retarded Citizens / Ouachita
Monroe, Louisiana

We were engaged to audit the financial statements of the **Association for Retarded Citizens/Ouachita** (the Association) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 19, 2010. We did not express an opinion on those financial statements because we were unable to obtain sufficient evidence to satisfy ourselves about the amounts at which assets, liabilities, revenues and expenses are recorded in the accompanying financial statements. Errors were made by the Association in entering transactions during the year and in implementing a new software system. Therefore, we were unable to satisfy ourselves that the Association's basic financial statements, as of and for the year ended June 30, 2009, are free of material misstatement by means of other auditing procedures.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

The Board of Directors
Association for Retarded Citizens/Ouachita

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings listed as findings 09-01 and 09-02 to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency listed in finding 09-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as findings 09-02 and 09-03.

We noted a certain matter that we reported to management and those charged with governance of the Association in a separate letter dated March 19, 2010.

The Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Association's responses and, accordingly, we express no opinion on them.

**The Board of Directors
Association for Retarded Citizens/Ouachita**

This report is intended for the information of management of the Association, awarding agencies and pass-through entities, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Haffey, Huffman, Rozdale, & Simpson

(A Professional Accounting Corporation)

March 19, 2010

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings For the Year Ended June 30, 2009

09-01 General Ledger Accounting

Finding:

A sound system of internal control requires a review and a reconciliation of all accounts to ensure proper recording of all transactions. We noted numerous discrepancies in the general ledger to the extent that we are unable to determine with any confidence what various account balances should be. Assets, liabilities, revenues and expenses had net adjustments that lowered the year end balances by \$1,465,796, \$1,318,300, \$157,029, and \$9,534 respectively. In addition, there was no supporting documentation for many transactions including adjusting entries. Failure of internal controls and insufficient audit trails appear to be underlying causes of the inaccurate balances.

Internal controls appear to have failed in that we found entries that had been backdated to the prior year. There were 634 journal entries missing from the current year transaction journal and research indicates that these were backdated to the prior year. In addition, it appears that forty percent or more of current year transactions are not dated appropriately. The backdating of prior year audit adjusting journal entries resulted in many of those entries being reentered during the audit year, causing duplicate entries and inaccurate account balances. Several audit adjustments had to be made to reverse these entries.

Our audit procedures disclosed the following:

Two bank reconciliations were incorrect, requiring a net adjustment to cash of \$17,452. Large, undocumented transfers between cash accounts diminished the audit trail in that we were unable to determine what comprised the transfers. Bank reconciliations were not completed timely and unreconciled differences are adjusted without determining the cause of the difference resulting in misclassifications of revenues and expenses.

For the year ended June 30, 2009, various accounts receivable accounts were overstated by approximately \$152,000 resulting in an overstatement of revenues of \$105,606. Due to processing procedures audit trails do not allow for the direct tracking of revenues from the time of service to the bank deposit in cases where revenues are not received the first time billed. This resulted in an inability to justify large accounts receivable balances for services rendered. A year end entry made by ARCO for approximately \$83,800 to adjust accounts receivable to the amount on the subsidiary receivable schedule was posted to other income and failed to appropriately classify the revenues associated with the receivables being adjusted.

Entries to the cash suspense account are generated by the general ledger software and the account balance should be zero at all times. At June 30, 2009, the cash suspense

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings For the Year Ended June 30, 2009

account had a balance of \$47,644.93 caused when ARCO made a year end adjustment to remove the balance from the contra receivable account.

A year end adjusting entry of \$9,631 was made to payables and restricted deposits to account for funds set aside by ARCO for a building fund. These funds failed to meet the requirements for classification as restricted and were not payables. Therefore, this entry had to be reversed.

Payroll expense was accrued at year end for the incorrect pay period (June 26, 2009) using an inaccurate percentage accruing 14 of 14 days. Payroll accrual had to be adjusted to account for 10/14ths of the July 10, 2009 pay period.

An entry to debt was entered twice during the year because the first entry was backdated to the prior year. This entry did not show up initially in the current year and was thus entered again. This error resulted in a \$4,700 credit balance in a notes payables account. When researching this item, it was found that this amount was part of an unreconciled difference in a bank account which had been adjusted rather than traced to its cause. As a result, an adjusting entry was made to the account that the bank account difference had been posted to originally.

Software purchased during the fiscal year was expensed, rather than recorded as a capital asset, and depreciated. \$3,551 of the invoice was attributable to maintenance expense and should have been expensed but the remaining \$12,580 had to be reclassified to a general ledger asset accounts from the expense account. Depreciation had to be adjusted to exclude depreciation on the maintenance expense.

Purchase of a van in the amount of \$14,608 was excluded from the depreciation schedule and was located when general ledger account balances did not agree with what was on the depreciation schedule. Depreciation had to be adjusted to agree with the schedule amount, as well.

Accounts payable were adjusted by \$24,884, the amount actually supported by the client's documentation.

A total of \$20,600 of revenue received from intergovernmental sources was not posted by the client to accounts receivable but rather was recorded in revenue when received thus causing it to be recognized in both the audit year and the prior year. An additional \$15,600 of intergovernmental revenue was recorded in accounts receivable while there was neither documentation nor confirmation from grantor to confirm the prospect of receiving these funds. Funds received by local governments are recorded by the client as being received from Ouachita Council of Governments funds even if the funds were not received from that organization.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings For the Year Ended June 30, 2009

United Way revenues were posted to incorrect periods resulting in an adjustment of \$17,627.35. Other grant revenue earned after year end was recorded as revenue and receivable during the audit year and required adjustment.

A CPA was brought in during the audit year to assist with accounting functions and serve as a consultant to the organization. However, this proved to be of limited success due to the large amount of information requiring review and the limited number of hours the consultant was able to commit to the organization. The Business Director also attempts to review transactions but has been addressing software issues associated with transitions of both billing and accounting software in the past few years.

The effects of these items could cause the financial statements to be misstated.

Recommendation:

All transactions should be reviewed by an individual independent of the recording process until clear audit trails are developed and then all accounts should be reviewed monthly to ensure accurate recording of all transactions. Documentation supporting all transactions and journal entries should be kept on file to provide a more complete audit trail. A methodology should be developed to trace individual service income from the time the service is performed until that service is paid for or deemed uncollectible. The cash suspense account should be reviewed and any balances should be investigated and appropriate entries made to zero out the account.

Staff should be educated of proper accounting procedures and the importance of performing transactions accurately. A program should be in place to make it impossible for prior years to be adjusted once the books are closed. Internal controls should be clarified and strictly enforced.

Management's Corrective Action Plan:

Beginning in March, 2010, all transactions will be reviewed by independent personnel and all accounts will be reviewed monthly to ensure all transactions have been accurately recorded. A system will be developed to maintain complete documentation supporting all transaction. Actions are already in place to develop of system to follow service revenue from the time the service is performed until the service is paid for or deemed uncollectible. The cash suspense account will be reviewed monthly and any balances will be investigated and appropriate entries will be made to zero out the account. Internal controls will be reviewed and updated as necessary and staff will be reminded of the importance of accurate accounting.

The Association has employed an individual to fill the Business Manager position who will oversee the business matters and accounting functions while allowing the current Business Manager the time necessary to address the software issues.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings
For the Year Ended June 30, 2009

09-02 Remittance of Employee Pension Plan Funds

Finding:

The Employee Retirement Income Security Act of 1974 requires that employers transmit employee contributions to pension plans as soon as they can reasonably be segregated from the employer's general assets, but not later than the 15th business day of the month immediately after the month in which the contributions were either withheld or received by the employer. Shortly after a change in personnel, pension contribution records were moved from a spreadsheet program to a database. During this process, the records of 14 employees were set up to be filtered out of the pension transmission calculations. This resulted in the failure to transmit the contributions of these employees to the pension plan in the amount of \$14,995 (employee withholdings of \$7,951 plus employer contribution of \$7,044). The discrepancy was not discovered for approximately one year due to the accounts affected were not regularly reconciled.

When the discrepancy was discovered, the Association immediately went about making restitution. The Association contributed funds of \$488 which was equal to the maximum that could have been earned if the funds had been transmitted to the plan. The employees were then given the choice of whether to have these funds transmitted to the pension plan or to be reimbursed back to the employee. Eleven employees opted to have the funds, along with the vested portion of the employer's contribution, refunded including the earnings that would have been made. A total of \$7,646 was paid to these employees. The other three employees opted to have the funds transmitted to their pension plans including the employee's contribution, employer's contribution, and the funds that could have been earned had they been transmitted to the plan. A total of \$5,356 was transmitted on behalf of these employees.

Recommendation:

We recommend that the Association transmit employee contributions to pension plans as prescribed by the Employee Retirement Income Security Act of 1974. We further suggest that policies and procedures, to include the regular reconciliation of the general ledger accounts, be updated to detect errors of this nature in a timely manner.

Management's Corrective Action Plan:

We have addressed all of these items through addition of all employees to the database and making restitution to those employees that were affected. Further, we have implemented measures in our policies and procedures to ensure that this occurrence is not repeated including monthly reconciliation of the general ledger accounts affected by this discrepancy.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings For the Year Ended June 30, 2009

09-03 Financial Statements Not Filed Timely

Finding:

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to the conditions described in Finding 09-01, the financial statements were not in a condition to be audited within the time frame prescribed by law.

Recommendation:

We recommend that the Association maintain its books and records whereby the financial statements will be ready for audit so that the audit is completed and submitted to the Legislative Auditor within the prescribed time period.

Management's Corrective Action Plan:

We have addressed all of the items described in Finding 09-01 and in the future we will have the books and records in a condition whereby the audit can be submitted within the time period prescribed by law.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Status of Prior Year Findings For the Year Ended June 30, 2009

The following is a summary of the status of prior year findings and management letter included in the Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated February 6, 2009 in connection with the audit of the financial statements of the Association of Retarded Citizens / Ouachita for the year ended June 30, 2008.

08-01 General Ledger Accounting

Finding

A sound system of internal control would require a review and a reconciliation of all accounts to ensure proper recording of all transactions. Our audit procedures disclosed multiple issues. During the year, ARCO changed Business Directors and changed software used in the billing process which contributed to the misstatements. The effect of these items could cause the financial statements to be misstated.

Status

At the time of the 2009 fiscal year audit, these issues had yet to be resolved and are readdressed in Finding 09-01.

08-02 Financial Statements Not Filed Timely

Finding

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to the conditions described in Finding 08-01, the financial statements were not in a condition to be audited within the time frame prescribed by law.

Status

At the time of the 2009 fiscal year audit, this issue had yet to be resolved and is reiterated in Finding 09-02.

Management Letter - Current Documentation of Internal Control

For management and those charged with governance to properly discharge their responsibility to establish and maintain internal control, there must exist a level of documentation of internal control sufficient to allow them to assess operating effectiveness and design, not just at a point in time, but over a period of time. As personnel, processes and/ or circumstances change, the documentation of internal control should be updated to reflect the current operating environment.

Status

This finding remains unresolved and is included in the current year management letter dated March 19, 2010.

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Phillip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Attaberry, CPA
Sandra Harrington, CPA

MANAGEMENT LETTER

**The Board of Directors
Association for Retarded Citizens / Ouachita
Monroe, Louisiana**

In planning and performing our audit of the financial statements of the **Association for Retarded Citizens/Ouachita** (the Association) as of and for the year ended June 30, 2009, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting or overall compliance with laws and regulations.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding that matter. This letter does not affect our report dated March 19, 2010 on the financial statements of the Association.

Current Documentation of Internal Control

Management of the Association is charged with establishing and maintaining internal control and to assess internal control for effectiveness in design and operation. Those components are outlined in the Committee of Sponsoring Organizations of the Treadway Commission Report (commonly referred to as the COSO Report, or COSO) and consist of the Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. While certain elements of the components of internal control exist and have been documented by the Association, the documentation has not been kept up-to-date for changes in personnel, processes and/or circumstances.

For management and those charged with governance to properly discharge their responsibility to establish and maintain internal control, there must exist a level of documentation of internal control sufficient to allow them to assess operating effectiveness and design, not just at a point in time, but over a period of time. As personnel, processes and/or circumstances change, the documentation of internal control should be updated to reflect the current operating environment.

The Association for Retarded Citizens / Ouachita
Monroe, Louisiana
Management Letter
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We recommend that management update the existing documentation of internal control and expand their documentation of the internal control over financial reporting as might be required using the COSO framework or such other framework as might prove useful in order that they may more easily discharge their responsibility to design and implement controls and monitor those controls for effectiveness over time.

Management's Corrective Action Plan:

Agency Management is aware of the need to maintain internal controls over agency activities and has historically maintained an Internal Control Document as well as Policy and Procedure Manuals. As stated the two are in need of being updated. Agency management is in agreement that these tools will be updated.

In addition, management will research the COSO report requirements in regard to the areas of Control Environment, Risk Assessment, Information and Communication, Monitoring, and Control Activities. A cost/benefit analysis will be presented to the agency Finance Committee/Board of Directors to determine the extent such an undertaking of developing a framework will be effective for the agency. A determination or plan to develop a framework (or pieces of a framework) will be made by the Board of Directors.

Huffey, Huffman, Roydall, & Squires

(A Professional Accounting Corporation)

March 19, 2010